



Woodburn Fiesta Mexicana Celebrating 54 Years



Artwork/Arte/Ilustración: Hampton Rodriguez  
Design/Diseño/Дизайн: Rodrigo Alvarez Moreno

**Woodburn Urban Renewal Agency**  
(A Component Unit of the City of Woodburn, Oregon)  
**Comprehensive Annual Financial Report**  
For the Year Ended June 30, 2018



**WOODBURN URBAN RENEWAL AGENCY**  
**(A COMPONENT UNIT OF THE**  
**CITY OF WOODBURN, OREGON)**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2018*

**WOODBURN URBAN RENEWAL AGENCY**  
*(A Component Unit of the City of Woodburn, Oregon)*  
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**JUNE 30, 2018**

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***INTRODUCTORY SECTION***

## Introduction

Urban renewal agencies are required to prepare an annual report for the governing body and the public in accordance with Oregon Revised Statute 457.460 (ORS 457.460). The report includes a financial summary of the preceding year and the budget for the new fiscal year. It also includes an analysis of the financial impact of carrying out the urban plan on the tax collections for all taxing districts.

The following elements must be included as part of the financial summary:

- ♦ the amount of money received during the preceding fiscal year;
- ♦ the purposes and amounts for which any money received were expended during the preceding fiscal year;
- ♦ an estimate of moneys to be received during the current fiscal year;
- ♦ a budget setting forth the purposes and estimated amounts for moneys that are to be expended during the current fiscal year;
- ♦ an analysis of the impact, if any, of carrying out the urban renewal plan on the tax collections for the preceding year.

## The Urban Renewal Concept

Urban renewal is a process authorized by Oregon law (ORS 457) to finance improvements in those neighborhoods and districts in need of revitalization with the intent to improve underdeveloped areas or areas that have declined resulting in stagnated private development or investment. More specifically, urban renewal is a funding method used to economically revitalize areas of “blight” through public investments that stimulate private development. Examples of blight include buildings that are unsafe or unfit for occupancy, inadequately maintained streets, or areas with environmental impacts. Due to these “blighted” conditions, private developers, property owners or business owners are unable to generate sufficient returns on potential development in the area. As a result, private investment stalls and the blighted conditions remain.

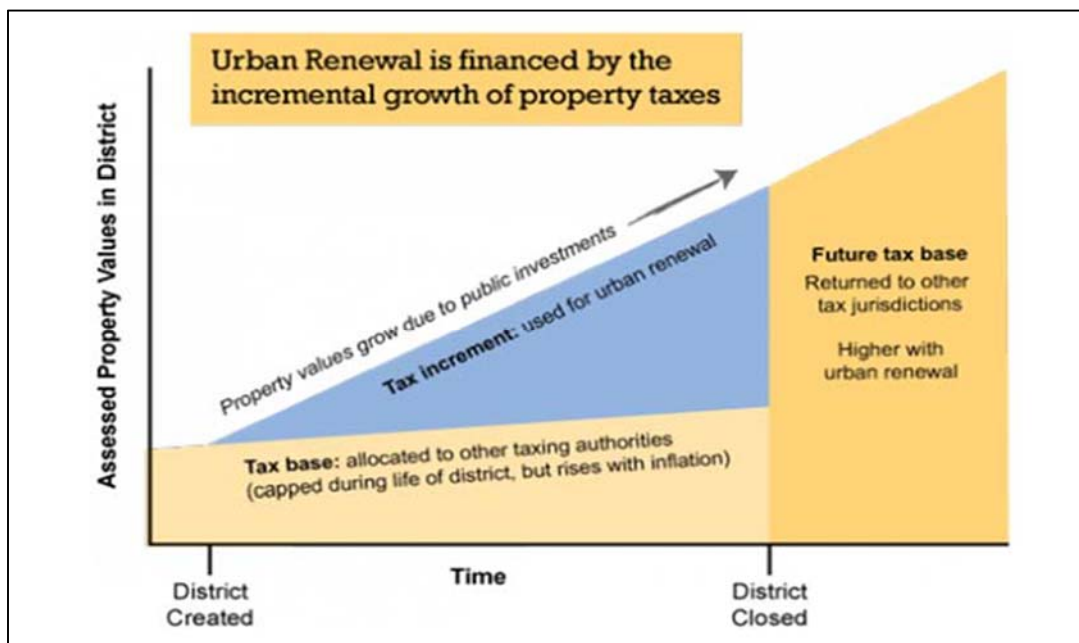
The types of urban renewal activities undertaken generally include development of infrastructure and public amenities (i.e., streetscape and infrastructure improvements, lighting, public open spaces, building improvements, parks, etc.) and with these publicly funded efforts, investment becomes achievable for private developers. Urban renewal allows a city to increase the level of public investment by providing funds that can be used to match regional, state or federal funds for specific projects.

The goal is encourage private sector investment for the majority of the redevelopment funding by selectively investing over a period of time. With the initial commitment of public funding the plan can achieve the goals to construct necessary streetscape infrastructure improvements and provide public amenities and to attract private investment.

## Tax Increment Financing

The major source of funding for urban renewal projects has been tax increment financing. Once an urban renewal district is established, the tax valuation for the district is “frozen”. As properties appreciate, the increase in taxes (the “increment”) generated above the frozen base are used to pay for the outlay or debt on specific projects within the urban renewal plan.

This tax increment financing works by identifying an area where property values are not rising as rapidly as the rest of the community; drawing a line around it; planning for major public improvements like roadways, street lighting, parks, and other amenities; securing funds to finance the public costs; implementing the plans for public improvement; and encouraging private investment in the area. Then, as property values rise and bring an increase in tax revenues, that increase sets the limit for the property taxes levied to pay off urban renewal bonds.



During the 1990's, three Ballot Measures: Measure 5 (1990), Measure 47 (1996), and Measure 50 (1997) made significant changes to Oregon's system of property taxation influencing urban renewal programs and tax increment revenue calculations. Those provisions provide the basic framework for revenue calculations in this report.

To determine the amount of the taxes levied, the total assessed value within each urban renewal area is segregated by the County Assessor into two parts: (a) the total taxable assessed value in the district at the time the Urban Renewal Plan was adopted (the base or “frozen” value); and (b) the difference between the frozen base value and the current total assessed value (the incremental value or “excess”). The urban renewal agency is entitled to the amount of property taxes levied on the increase in property values within the urban renewal area. This revenue is used to pay for the projects designated in the Urban Renewal Plan or to repay indebtedness incurred in carrying out the projects.

## Woodburn's Urban Renewal Plan

The City of Woodburn established the Woodburn Urban Renewal District pursuant to Oregon Revised Statutes (ORS) Chapter 457, the Oregon Constitution, and all applicable laws and ordinances on March 13, 2001, upon adoption of Ordinance 2283. On August 13, 2001, the City adopted Ordinance 2298 establishing the maximum indebtedness of the Plan of \$29.3 million. The City's urban renewal redevelopment area consists of approximately 260 acres, all within the Woodburn city limits. In general, the area includes the historic downtown, Front Street to Highway 214 and Highway 214 to redevelopment sites on Stacy Allison, Young Street to Highway 99 and Highway 99 to Highway 211. The Woodburn's urban renewal is governed by the Urban Renewal Agency, which consists of the City's Mayor and City Council members.

The Urban Renewal Plan states the following overall renewal goals:

- Public improvements
- Redevelopment through new construction
- Preservation, rehabilitation, development and redevelopment
- Property acquisition and disposition
- Plan administration

The Core Values created by the Urban Renewal Agency are as follows:

- Ensure positive return on investment
- Cultivate resources and investment in underutilized or blighted areas
- Job creation
- Economic vitality
- Establish downtown as a destination
- Historic preservation and cultural interpretation

## Urban Renewal Impact

The Woodburn Urban Renewal program has played a key role in revitalization. Through public investments and business development partnerships, urban renewal will continue to be a catalyst for making Woodburn a more economically vital, livable and sustainable place. The number of significant public investments include: Downtown Plaza, Historic Locomotive, Front Street, Fire Station, First Street, Downtown Alleyways, Downtown Public Restroom, Bungalow Theater, Building Improvement Grant/Loan Program.

<b>Major Project Costs by Year</b>				
<i>Capital Outlay Project Description</i>	<i>Actual 2015-16</i>	<i>Actual 2016-17</i>	<i>Actual 2017-18</i>	<i>Budget 2018-19</i>
Woodburn Fire District Remodel				
Financial Study	\$ -	\$ 8,577	\$ -	\$ -
Construct Downtown Public Restroom	-	99,674	150,515	-
Grant and Loan Program	36,067	54,680	42,161	125,000
First Street Design/Reconstruction	87,473	20,283	96,303	4,370,000
Alleyway Beautification		24,868	36,821	75,000
Bungalow Theater/Museum Restoration			29,923	400,000
Public Arts and Mural Program				100,000
	<u>123,540</u>	<u>208,082</u>	<u>355,723</u>	<u>5,070,000</u>

## Effect of Urban Renewal on Taxing Districts

Carrying out an urban renewal plan has an effect on the amount of property taxes received by the overlapping taxing districts of Woodburn’s urban renewal areas. A portion of property taxes that were to be received by the taxing bodies that levy property taxes within Woodburn’s urban renewal areas are redirected to Woodburn’s Urban Renewal Agency for the agency’s projects and programs.

Passage of Ballot Measure 50 (Article XI, Section 11 of the Oregon Constitution) resulted in converting most property taxes (i.e., tax bases) from a levy-based system to a rate-based system. Schedules provided later in this Report reflect the “*post*” Measure 50 financial impact by taxing district for Woodburn’s Urban Renewal. The following schedules show the impact of the division of taxes on the overlapping taxing jurisdictions for the prior fiscal year and the current fiscal year.

The schedules include each taxing entity’s:

- Permanent taxing rate is the levy imposed on every thousand dollars of assessed property value
- Adjusted district rate is the rate that the district will receive net of the URA calculation
- URA division of tax rate is the rate redirected from the taxing entity to the urban renewal agency
- Shared value is the common value of the underlying properties within the URA and the overlapping taxing entities
- Calculated property taxes from each taxing entity that is redirected to the urban renewal agency



<b>Woodburn Urban Renewal Agency (URA)</b>						
<b>Financial Impact of the Division of Taxes on Overlapping Taxing Jurisdictions</b>						
<b>Fiscal Year Ending June 30, 2018</b>						
<b>Taxing District</b>	<b>Permanent Rate</b>	<b>Adjusted District Rate</b>	<b>URA Division of Tax Rate</b>	<b>District Shared Value</b>	<b>Division of Tax</b>	
Marion County	\$ 3.0252	\$ 2.9361	\$ 0.0891	\$ 1,631,394,823	\$ 145,453	
City of Woodburn	6.05	5.88	0.18	1,631,394,823	291,050	
Woodburn SD	4.52	4.39	0.13	1,631,394,823	217,550	
Woodburn FD	1.60	1.55	0.05	1,631,394,823	76,972	
Willamette Regional ESD	0.30	0.29	0.01	1,631,394,823	14,265	
Chemeketa Community College	0.63	0.61	0.02	1,631,394,823	30,094	
Regional Library	0.08	0.08	0.00	1,631,394,823	3,933	
Marion Soil & Water	0.04	0.04	0.00	1,107,902,748	1,016	
MC & 4-H Extension Service	0.05	0.0486	0.0014	1,631,394,823	2,404	
<b>Totals</b>	<b>\$ 16.301</b>	<b>\$ 15.821</b>	<b>\$ 0.480</b>		<b>782,737</b>	
<b>% of Total Permanent Rate</b>			<b>2.94%</b>			
<b>Less: Truncation Loss</b>					-	
<b>Less: Compression Loss</b>					-	
<b>Total URA Levy</b>					<b>\$ 782,737</b>	

**WOODBURN URBAN RENEWAL AGENCY**  
**(A Component Unit of the City of Woodburn, Oregon)**  
**AGENCY OFFICIALS**  
**JUNE 30, 2018**

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**MAYOR AND COUNCIL MEMBERS**

<u>Name</u>	<u>Term Expires</u>
<i>Mayor</i>	
Kathryn Figley	December 31, 2018
<i>Council Members</i>	
Frank Lonergan, President	December 31, 2018
Robert Carney	December 31, 2018
Lisa Ellsworth	December 31, 2020
Eric Morris	December 31, 2020
Sharon Schaub	December 31, 2018
Juan Serratos	December 31, 2020

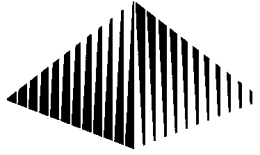
The above individuals may be contacted at the address below.

*Staff*

Scott Derickson, City Administrator  
N. Robert Shields, City Attorney  
Sandra Montoya, Finance Director  
Marne Anderson, Assistant Finance Director

City of Woodburn, Oregon  
270 Montgomery Street  
Woodburn, Oregon 97071

***FINANCIAL SECTION***



# GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

## ***INDEPENDENT AUDITOR'S REPORT***

Board of Directors  
City of Woodburn Urban Renewal Agency  
270 Montgomery Street  
Woodburn, Oregon 97071

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Urban Renewal Agency of the City of Woodburn, Oregon (a component unit of the City of Woodburn, Oregon) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Urban Renewal Agency of the City of Woodburn, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) (pages iii through vi) and the schedule of revenues, expenditures and changes in fund balances - budget to actual on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary schedule described above was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

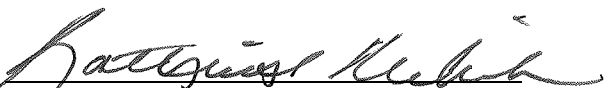
### ***Other Information***

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 30, 2018, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

***GROVE, MUELLER & SWANK, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

By:   
Katherine R. Wilson, A Shareholder  
November 30, 2018



***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**WOODBURN URBAN RENEWAL AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Woodburn Urban Renewal Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of the Agency as of June 30, 2018 and for the fiscal year then ended. We encourage readers to consider the information presented here in conjunction with the Agency's basic financial statements in the financial section of this report.

**Financial Highlights**

The Agency's assets exceeded liabilities by \$2,329,435.

The Agency has recorded the following assets as of June 30, 2018: Cash and investments of \$2,339,653 and property taxes receivable of \$43,398.

Liabilities are comprised of accounts payable and amounts due to the City for personnel costs of \$53,616 at June 30, 2018.

**Statements of Net Position**

	June 30,	
	2018	2017
<b>ASSETS</b>		
Cash and investments	\$ 2,339,653	\$ 2,164,713
Other assets	43,398	28,238
Total Assets	2,383,051	2,192,951
<b>LIABILITIES</b>		
Other liabilities	53,616	90,344
<b>NET POSITION</b>		
Unrestricted	\$ 2,329,435	\$ 2,102,607

Property taxes totaling \$684,606 comprise 94% of the Agency's revenue and are derived from the tax increment assessment within the Agency's boundaries. The remaining revenue is comprised of \$5,000 in intergovernmental revenue and \$41,131 in interest earnings. Expenses for the year ended June 30, 2018 were \$96,472 in reimbursements to the City for personnel costs and \$81,794 for the Agency's Downtown Grant and Loan program.

The Agency maintains a single fund used to account for activities supported by the property tax increment.

## Statements of Activities

	Year Ended June 30,	
	2018	2017
REVENUES		
Property taxes	\$ 684,606	\$ 615,957
Intergovernmental	5,000	-
Miscellaneous	41,131	35,129
Total Revenues	730,737	651,086
EXPENSES		
Community development	178,266	159,797
REVENUES OVER EXPENSES	552,471	491,289
TRANSFERS TO PRIMARY GOVERNMENT	(325,643)	(131,090)
CHANGE IN NET POSITION	226,828	360,199
NET POSITION, beginning of year	2,102,607	1,742,408
NET POSITION, end of year	\$ 2,329,435	\$ 2,102,607

### Overview of the Basic Financial Statements

The Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Agency's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event(s) giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e. uncollected revenues and accrued but unpaid interest).

The Statement of Net Position presents information on all of the Agency's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year.

**Fund financial statements.** The fund financial statements focus on current available resources and are organized on the basis of funds, each of which is defined as a fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-15.

### **Financial Analysis of the Fund**

As of June 30, 2018 the Agency's governmental fund reported a fund balance of \$2,288,941 or an increase of \$211,753 over the prior year. This is due mainly to increases in property taxes in excess of Downtown Grant and Loan projects.

### **Budgetary Highlights**

There were no changes to the adopted budget in the current year.

### **Capital Assets and Debt Administration**

The Agency has no capital assets. All assets constructed with urban renewal funds are property of the City (see the City of Woodburn financial statements).

As of June 30, 2018 the Agency has no long-term debt outstanding.

### **Financial Contact**

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability.

Any questions or request for additional information should be directed to the City of Woodburn at 270 Montgomery Street, Woodburn, Oregon.

***BASIC FINANCIAL STATEMENTS***



**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
*(A Component Unit of the City of Woodburn, Oregon)*  
**STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2018**

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**ASSETS**

Cash and investments	\$ 2,339,653
Property taxes receivable	43,398
	<hr/>
<i>Total Assets</i>	2,383,051

**LIABILITIES**

Accounts payable	53,616
	<hr/>

**NET POSITION**

Unrestricted	\$ 2,329,435
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*The accompanying notes are an integral part of the financial statements.*

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
*(A Component Unit of the City of Woodburn, Oregon)*  
**STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

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<b>Revenues</b>	
Taxes and assessments	\$ 684,606
Intergovernmental	5,000
Miscellaneous	41,131
	<hr/>
<b>Total Revenues</b>	730,737
<b>Expenses</b>	
Community development	178,266
	<hr/>
<b>Revenues Over Expenses</b>	552,471
<b>Transfer to Primary Government</b>	<hr/> (325,643)
<b>CHANGE IN NET POSITION</b>	226,828
<b>NET POSITION, June 30, 2017</b>	<hr/> 2,102,607
<b>NET POSITION, June 30, 2018</b>	<hr/> <hr/> \$ 2,329,435

*The accompanying notes are an integral part of the financial statements.*

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
 (A Component Unit of the City of Woodburn, Oregon)  
 BALANCE SHEET – GOVERNMENTAL FUND  
 JUNE 30, 2018

**ASSETS**

Cash and investments	\$ 2,339,653
Property taxes receivable	43,398
	<hr/>
<i>Total Assets</i>	<b>\$ 2,383,051</b>
	<hr/> <hr/>

**LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 53,616
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**Deferred Inflows**

Unavailable revenue	40,494
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**Fund Balance**

Unrestricted	2,288,941
	<hr/>

<i>Total Liabilities, Deferred Inflows, and Fund Balance</i>	<b>\$ 2,383,051</b>
	<hr/> <hr/>

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

<i>Fund Balance</i>	\$ 2,288,941
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The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are reported as unavailable revenue in governmental funds.

40,494

<i>Net Position of Governmental Activities</i>	<b>\$ 2,329,435</b>
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*The accompanying notes are an integral part of the financial statements.*

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
**(A Component Unit of the City of Woodburn, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**GOVERNMENTAL FUND**  
**YEAR ENDED JUNE 30, 2018**

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**REVENUES**

Taxes and assessments	\$ 669,531
Intergovernmental	5,000
Miscellaneous	41,131
	<hr/>
<i>Total Revenues</i>	715,662

**EXPENDITURES**

Current	
Personnel services	96,472
Materials and services	81,794
Capital outlay	325,643
	<hr/>
<i>Total Expenditures</i>	503,909

**NET CHANGE IN FUND BALANCE**

211,753

**FUND BALANCE, Beginning of year**

2,077,188

**FUND BALANCE, End of year**

\$ 2,288,941

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

<i>Net Change in Fund Balance</i>	\$ 211,753
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements.	
Property taxes	15,075
	<hr/>
<i>Change in Net Position</i>	<u>\$ 226,828</u>

*The accompanying notes are an integral part of the financial statements.*

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
**(A Component Unit of the City of Woodburn, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity*

The City of Woodburn Urban Renewal Agency (the Agency) was created to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. Through the Downtown Grant and Loan program the Agency enables property owners to rehabilitate properties. The Agency is governed by a seven-member board of directors that include the City's mayor and other council members and is included as a component unit in the City's financial statements.

*Urban Renewal Areas*

Tax Allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Agency (City Council) selects an urban renewal plan area and defines its boundaries.
- The County Assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance the Urban Renewal project.
- Urban Renewal tax increment revenues are used to repay the indebtedness of the Agency. The proceeds of the indebtedness finance the Agency's activities.

As required by ORS 457.190(3)(a), the Agency has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$29,300,000.

*Measurement Focus and Basis of Accounting*

*Basic Financial Statements*

Basic financial statements are presented at both the government-wide and fund financial level. Governmental activities are normally supported by taxes and intergovernmental revenues.

*Government-wide financial statements* display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Position presents all the assets and liabilities of the Agency, including related debt, if any. Net position, representing assets less liabilities and is shown as unrestricted.



**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
*(A Component Unit of the City of Woodburn, Oregon)*  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2018*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

*Basic Financial Statements (Continued)*

The Statement of Activities indicates how net position changed during the current period.

*Fund financial statements* display information about the Agency's fund. The single major fund, Urban Renewal fund, accounts for general administration of the Agency's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas, and repayment of debt incurred for these activities.

*Basis of Presentation*

The financial transactions of the Agency are recorded in a single fund. The fund's activity is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred.

*Fund Balance*

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications.

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a non-spendable form or legally or contractually required to be maintained intact. Resources in non-spendable form include inventories, prepaid amounts, deposits, and assets held for sale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Agency takes formal action that places specific constraints on how the resources may be used. The Agency can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Agency approves which resources should be "reserved" during the adoption of the annual budget.

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
**(A Component Unit of the City of Woodburn, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

*Fund Balance (Continued)*

Unassigned fund balance is the residual classification. This classification represents fund balance that has not been restricted, committed or assigned.

*Governmental Fund Financial Statements*

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

*Cash and Investments*

The City of Woodburn maintains the Agency's cash and investments in a common pool.

Oregon Revised Statutes and the City of Woodburn investment policy authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon Municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

*Receivables and Deferred Inflows*

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current and prior years are recorded as receivable at year-end. The Agency's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Property tax receivables not available are recognized as deferred inflows in the governmental funds balance sheet.

*Budget and Budgetary Accounting*

The Agency budgets in accordance with requirements of State law. Annual appropriated budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The Agency begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the Budget Committee. The budget is then published in proposed form and is presented for public hearings to obtain taxpayer comments and approval from the Budget Committee. The budget is legally adopted by the Agency's Board by resolution prior to the beginning of the Agency's fiscal year.

The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the program level. Appropriations lapse at year end.

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
*(A Component Unit of the City of Woodburn, Oregon)*  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2018*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*Budget and Budgetary Accounting (Continued)*

Appropriation authority may be transferred from one level of control to another by Board resolution. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

*Use of Estimates*

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

**CASH AND INVESTMENTS**

The Agency's deposits with financial institutions and investments are pooled with the City of Woodburn. Cash and investments for the City of Woodburn are disclosed in the City's financial statements. Other disclosures about the City's cash and investment that are applicable to the Agency are as follows.

*Deposits*

Bank deposits are secured to legal limits by federal deposit insurance. The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

*Custodial Credit Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution.

Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

*Investments*

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon

**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
**(A Component Unit of the City of Woodburn, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2018**

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**CASH AND INVESTMENTS (Continued)**

*Investments (Continued)*

Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2018, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

*Interest Rate Risk*

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

*Custodial Risk - Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

**CONTINGENCIES**

The Agency purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

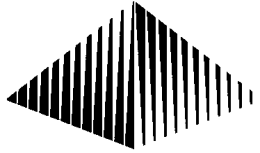
***REQUIRED SUPPLEMENTARY INFORMATION***



**URBAN RENEWAL AGENCY OF THE CITY OF WOODBURN, OREGON**  
(A Component Unit of the City of Woodburn, Oregon)  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL - URBAN RENEWAL FUND**  
**YEAR ENDED JUNE 30, 2018**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 640,060	\$ 640,060	\$ 669,531	\$ 29,471
Intergovernmental	100,000	100,000	5,000	(95,000)
Miscellaneous	27,000	27,000	41,131	14,131
<i>Total Revenues</i>	767,060	767,060	715,662	(51,398)
<b>EXPENDITURES</b>				
Community development	1,111,263	1,111,263	503,909	607,354
Contingency	100,000	100,000	-	100,000
<i>Total Expenditures</i>	1,211,263	1,211,263	503,909	707,354
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(444,203)	(444,203)	211,753	655,956
<b>FUND BALANCE, Beginning of year</b>	2,137,000	2,137,000	2,077,188	(59,812)
<b>FUND BALANCE, End of year</b>	\$ 1,692,797	\$ 1,692,797	\$ 2,288,941	\$ 596,144

***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### *INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS*

Honorable Mayor and Members of the City Council  
City of Woodburn Urban Renewal Agency  
270 Montgomery Street  
Woodburn, Oregon 97071

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Urban Renewal Agency of the City of Woodburn, Oregon as of and for the year ended June 30, 2018, and have issued our report thereon dated November 30, 2018.

#### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Urban Renewal Agency of the City of Woodburn, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

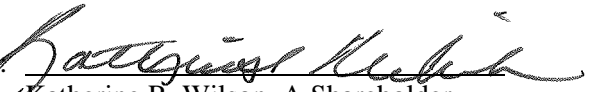
***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

***Restriction on Use***

This report is intended solely for the information and use of the governing body and management of the Urban Renewal Agency of the City of Woodburn, Oregon and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Katherine R. Wilson, A Shareholder  
November 30, 2018